



MINUTES BOARD OF LIVESTOCK MEETING

September 30, October 1, 2010

Scott Hart Auditorium

Helena, MT 59601

1:00 PM THURSDAY SEPTEMBER 30, 2010

CALL TO ORDER

BOARD MEMBERS PRESENT:

Jan French, Chair, cattle producer
John Lehfeltdt, sheep producer
Linda Nielsen, Vice-chair, cattle producer

Jeffery Lewis, dairy producer
Stan Boone, cattle producer
Ed Waldner, swine producer

Absent:

Brett DeBruycker, cattle producer

STAFF PRESENT:

Dan Turcotte, Milk & Egg Bureau
Dr Jeanne Rankin, Animal Health
Dr Tahnee Szymanski, Animal Health
George Harris, Centralized Services
Marty Clark, Brands Enforcement
Christian Mackay, Executive Office

Steve Merritt, Public Information Officer
Dr Marty Zaluski, Animal Health
Dr Eric Liska, Animal Health
Carol Olmstead, Meat Inspection
Mark Fiest, Brands Enforcement
Sherry Rust, Administrative Assistant

PUBLIC PRESENT:

Kraig Glazier, USDA APHIS Wildlife Services
Ariel Overstreet, MSGA
Brent Thompson
Matt Steiner, LED
Tom Beers, Coremark International

Charlene Rich, Beef Council
Rachel Kinkie
Kraig Glazier, Wildlife Services
Brent Thompson, USDA-APHIS VS
Pat Murdo, LSO

ADMINISTRATIVE ITEMS

Board Communications:

- Jan French, Hobson
 - not finished harvesting yet due to the continuing rain
- Jeff Lewis, Corvallis
 - corn looks good few more days of sunshine is needed
- Stan Boone, Ingomar
 - best rains ever in his area, lots of grass, cattle are weighing more , too much water laying around everywhere
- John Lehfeltdt, Lavina
 - sheep market is good, lamb shortage is showing in the marketplace
- Linda Nielsen, Nashua
 - not done harvesting yet because of the many rains

Approval of Minutes:

Linda Nielsen moved to accept the July, 2010 minutes as presented. Stan Boone seconded. The motion carried unanimously.

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Stan Boone moved to accept the minutes for the September conference call with the Beef Council as presented. Ed Waldner seconded. The motion carried unanimously.

Interim Authorizations and Activities:

- Chair Jan French approved two out of state travels
 - Dr Liska to attend APHIS meeting in November
 - Mike Finnegan to attend a USDA meat grading seminar in Idaho

John Lehfeltdt moved to approve the chair's interim authorizations. Jeff Lewis seconded. The motion carried unanimously.

Executive Officer Reports:

Jeff Lewis moved to approve the executive officer report as presented. Linda Nielsen seconded. The motion carried unanimously.

DIVISION REPORTS

Animal Health, Dr Zaluski

- Action Item 10.9.1 Official Order pertaining to import requirements for NILE
 - request board authorization to generate a 2010 order similar to the 2009 order

John Lehfeltdt moved to authorize the official order as requested. Ed Waldner seconded. The motion carried unanimously.

- Trichomoniasis, Dr Rankin
 - reviewed testing and positive herd detections in 2010
 - Rocky Boy adopted a program similar to Ft Belknap and have eliminated the problem
 - Northern Cheyenne had a funded test program in 2008 and removed a lot of positive (16) bulls
 - Blackfeet working with department at this time and have adopted state rules as well as resident bull annual test requirement
 - department website is current on latest Trich testing and results
 - the problem is ongoing and the department will continue to cooperate with tribal authorities on this issue
 - communal grazing operations are still needing education about testing requirement as slow to come into compliance
 - open cows sold at markets prior to finding positive bulls continue to be a problem
- Action Item 10.9.2 DSA Official Order into Rule
 - DSA official order should be converted to an administrative rule
 - There has been limited feedback on annual changes to requirements
 - request authorization to publish the proposed rule through ARM with a comment period and three meetings - two in the DSA and one just outside the DSA
 - 30 day comment period should be sufficient
 - request for public comment called for - no public comment given

Linda Nielsen moved to authorize the publication of the proposed DSA rule. John Lehfeltdt seconded. The motion carried unanimously.

- Dr Zaluski met with FWP last month regarding the elk testing program
 - have recognized hunter harvested sampling as inadequate and not collecting enough data

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- FWP plans to capture 100 elk in certain areas for more data
- will use existing GYIBC money plus \$240,000 of leftover funds provided to DOL by APHIS and passed on to FWP
- this program will be ongoing for the next 5 years but funded for current year only
- Action Item 10.9.3 Import Exemption Request
 - received a request from Two Dot ranch, Cody, WY to bring 300 calves to Belfry to winter in the feedlot, and then back to Wyoming without vaccination
 - discussed relative risk as Cody is very close to the DSA in Wyoming
 - would have to come in under quarantine
 - USDA will consider them Montana cattle after 60 days per Brent Thompson (USDA APHIS VS)

John Lehfeldt moved to allow the request to bring the calves in as requested under Montana quarantine and vaccinate within 30 days per Montana OCV rule. Ed Waldner seconded. The motion as voted down.

Jeff Lewis moved to deny the request per Montana Code and Administrative Rules. Linda Nielsen seconded. The motion carried unanimously

- Dr Zaluski recognized Amy Dault as the recipient of the Governors award of Excellence. Amy works on the brucellosis program under Dr Eric Liska.
- Equine semen import requirements, Dr Zaluski
 - request for the board to consider a change in the Administrative Rule regarding equine semen import requirements
 - Montana is one of only four states with EVA test requirements
 - most of the semen that comes into the state the department does not know about
 - inadequate compliance because our testing requirements are beyond the standard
 - none of the major horse breeding states (FL, TX, CA, KY) have this requirement
 - advantages are greater to remove this requirement and require an import permit to improve compliance

Linda Nielsen moved to authorize the change as suggested. Ed Waldner seconded. The motion carried unanimously.

USDA Wildlife Services (predator control), Kraig Glazier

- reviewed funding with a handout showing collections and disbursements on behalf of DOL
- current funding is lower than it was in 2000
- cut 1200 statewide hours to 900 hours -still had to ground all machines at the end of August
- producers called our Congressmen offering to donate to keep the flying going
- \$10,000 was donated to keep flying in Sept - about 12 wolves taken
- if we don't get additional funds next year will have to shut down for 6 months of the year - either flying two machines six months or one machine 12 months
- using \$110,000 from FWP for hunt - need four times that just to respond to current wolf issues
- 116 wolves taken - up 30%, amount of verified predator damage up

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- Avian Influenza funding is done which will impact the Diagnostic Lab (paid for those samples)

3:00 PM _____ Recess
3:15 PM _____ Reconvene

Centralized Services, George Harris

- FY2012-13 Budget- reviewed the 2012-13 proposed budget for the department by division
- Fund Analysis SSR FY 2011
 - reviewed the ending cash balances from FYE 2010 from our three major accounts, Brands, Per Capita, and Animal Health
 - projected cash balance to FYE 2011 and made five recommendations:
 - decrease expenditures
 - increase revenues
 - increase revenues and decrease expenditures
 - increase other revenue sources such as federal grants and cooperative agreements
 - reduce or eliminate program services
- Action Item 10.9.4 Per Capita Fee Analysis and Setting
 - provided a history of headcounts, 108,140 less cattle than in 2002, 54,732 less cattle from 2009 to 2010 for example
 - reviewed a comparison chart of livestock headcounts over the last nine years
 - concerned that not all livestock are being reported
 - need to work on a way to recover and track unreported livestock
 - cannot increase the per capita more than 110% of the previous 3 years
 - suggested options:
 - leave per capita at the same will collect \$3,542,444 (\$45,109 less than the previous year)
 - raise per capita fee by 5% will collect \$3,719,566 or \$132,013 more than the previous year
 - the maximum allowed raise of about 12.58% will collect \$3,988,234 to generate \$400,681 more than the previous year

Board discussion:

- really need to find a way to collect on all eligible livestock
- don't need to be tax collectors, but need to become tax reminders
- the people who are not paying now are hurting producers
- this is a mandated fee but the duty to pay is on the livestock owner
- a lot of people who are not paying per capita are not aware of it
- do a public campaign promoting per capita
- brands enforcement is the only way to track how many horses/livestock (through inspections) - used to be able to track through import system - new system will be up by about January
- board consensus leave per capita at the present level and do a heavy campaign regarding per capita

Jeff Lewis moved to keep the per capita fee at the current level. Linda Nielsen seconded. The motion carried with John Lehfeldt voting no.

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Lehfeldt said a 5% increase is a better choice as opposed to 12% next year if the worst case happens, it jeopardizes the department's situation.

- Livestock Loss Reimbursement Mitigation Board, George Edwards
 - claims are double what claims were last year
 - provided a comparison of previous years
 - overall numbers are down but cattle claims were 103 this year with 50 claims at same time last year
 - three livestock representative terms on LLRMB terms due to expire
 - if they are not seeking reappointment then the BOL will have to provide nominations
 - next LLRMB meeting is October 18, Room 152 in the Capitol at 10 am
 - working on a license plate to help with funding for the program - have \$3,000 raised, might squeeze the rest out of budget to get it done
 - contest for the logo for the program and the plate, facebook page to be discussed at the next meeting
- Milk Control Bureau, Monte Nick
 - quota issue
 - 40,000 lbs of quota available from a producer who went out of business and declared bankruptcy
 - the producer has liens on that quota- and has four people claiming that quota,
 - if not sold within 90 days of end of business, that quota reverts back to Milk Control Bureau
- Information Technology
 - two bids for IT systems
 - holding off on expenditures -not buying computers unless for an emergency
 - diagnostic lab is working with NAHLN for a \$55,000 information system to coordinate our lab with their systems

PRODUCER ORGANIZATION UPDATES

Charlene Rich provided the Beef Council annual report

- Regarding fee collection vs. DOL expense issue discussed at last board meeting
 - presented four options from Beef Council Board
 1. extend or renew the contract at 5% (no changes)
 2. extend current contract with Beef Council collecting from the markets
 3. reimburse at actual costs according to Beef Council requirements
 4. department provide electronic data transfer to Beef Council weekly or as decided

Any option to become final January 1 per the board's request for finalization of agreement.

PUBLIC COMMENT

5:10 PM ADJOURNED

10:00 AM FRIDAY, OCTOBER 1, 2010 CALL TO ORDER

MINUTES BOARD OF LIVESTOCK MEETING

BOARD MEMBERS PRESENT:

Jan French, Chair, cattle producer
John Lehfeltdt, sheep producer
Linda Nielsen, Vice-chair, cattle producer

Jeffery Lewis, dairy producer
Stan Boone, cattle producer
Ed Waldner, swine producer

Absent:

Brett DeBruycker, cattle producer

STAFF PRESENT:

Dan Turcotte, Milk & Egg Bureau
Dr Jeanne Rankin, Animal Health
John Grainger, Brands Enforcement
Dr Layton, Veterinary Diagnostic Lab
Dr. Eric Liska, Animal Health

Steve Merritt, Public Information Officer
Dr Marty Zaluski, Animal Health
Carol Olmstead
George Harris
Dan Turcotte, Milk and Egg Bureau

PUBLIC PRESENT:

Mr. & Mrs. Deboo
Errol Rice, Montana Stockgrowers Assn
Charlene Rich, Beef Council
Hope Stockwell, LAC

Kraig Glazier, USDA APHIS Wildlife Services
Aeric Riley, Montana Farmers Union
Steve Harmon, Beef Council

DIVISION REPORTS CONTINUED

Brands Enforcement

- Beef Council contract discussion
Board

- emphasized the need to cover department costs and that is not happening under the current reimbursement agreement with Beef Council
- the spreadsheet provided by the department for cost analysis is very accurate
- administrators met with district supervisors, markets, investigators, and clerks to provide true costs
- John Grainger said he understands Beef Council's feeling that analysis is arbitrary, but he feels the costs shown are conservative
- reality is having someone else do it will cost Beef Council more than the totals on the department's analysis

Beef Council

- any increase would have to pass a Cattlemen's Beef Board audit and in order to do that the department must provide documented expenses of all participating employees
- the 18 inspectors and office staff would need to complete and submit individual expense sheets
- if department chooses option 4, only three months to prepare producers for a big change and make a big change in the Beef Council system
- any press release intent would not be to make it negative but to prepare producers for the change

Board

- work together to do a joint press release in the event the board chooses a new option

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- the collection fee has been at 5 percent since 1986, we all know costs have risen, the department must cover the expense of collections per statute
- all producers are currently paying for any shortfall between collection expenses and reimbursement through their per capita fees - not fair to other producers to be supporting beef council fees
- expenses have increased, head counts have fallen, additionally the internal control and accounting practices have increased over the years

John Lehfeldt moved to accept option 4. Linda Nielsen seconded.

Discussion:

- any change is going to look like a split between Beef Council and the department - not the intent of the board
- regarding implementation -once the original script is written for the data collection submission will be immediate
- from efficiency and effectiveness it will be doable - will still have office staff involvement
- John Grainger found no opposition out in the field
- per capita should not be used to supplement Beef Council collection costs - non cattle producers should not have to pay for BC collection

Chair Jan French called for a roll call vote:

<u>Linda Nielsen</u>	<u>yes</u>
<u>Stan Boone</u>	<u>yes</u>
<u>John Lehfeldt</u>	<u>yes</u>
<u>Jeff Lewis</u>	<u>abstained</u>
<u>Ed Waldner</u>	<u>yes</u>

The collection part of Beef Council fees will become Beef Council responsibility, the department will provide information on change of ownership electronically. The board supports Beef Council to revisit this issue in the future if needed.

- Introduction of new employees/positions
 - Gary Hamel, filled the market compliance auditor position
 - Dani Kane, moved from horse inspection to mortgage clerk
 - Cally Goyins, moved from mortgage clerk to brand recorder
- Rerecord updates
 - still have plan A and plan B, but if the software is up and working will go with plan A
 - will do a test mail out within the system soon, if that works we will move plan B back - progress is going well
 - Axiom, contractor for brands systems, started out ahead of and have continued to stay ahead, Montana Interactive has the online system built
 - must remind brand owners there is a rerecord and there is no grace period
 - plans for PSA, internet videos etc. for campaign awareness -
 - board members may do PSA at November promoting awareness and producer organizations will be invited to participate in the awareness campaign
 - will make a special effort to reach out to mortgage lenders regarding the no grace period
- Area Meetings
 - held four meetings with district and market people
 - Lewistown, Helena, Miles City and Billings

MINUTES

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- emphasized the department is looking at any way to cut expenses, furloughs, and other options, 24 days in brands, budget situation, Beef Council issue and more
- Board comments and concerns:
 - Linda Nielsen- furlough issue went all through the markets and producer organizations, dealing with the largest industry in Montana, scared a lot of people, cannot shut down the department on a Monday or a Thursday, it affects everyone in Montana
 - if personnel at markets have overtime, lets look at a day off and use the time saved on market day to avoid incurring overtime
 - need to achieve 25% savings in each area to meet the 7% mandate in brands
 - John Lehfeltdt- department doing the right thing, correct in being forthright and informing personnel in the worst case scenario rather than keeping them in the dark
- Freeze Branding Cattle Request
 - Diamond D Angus, Mr. Deboo, branded all his 2009 cattle with a freeze brand and was subsequently given a warning ticket by Ernie McCafferee as this is a misdemeanor
 - statute and administrative rules mandate hot iron brands on cattle
 - some letters in support of freeze branding cattle have been received in the main office, mostly from purebred producers
 - Montana Code and Administrative Rules state that you cannot record a freeze brand for cattle
 - Mr. Deboo provided photos of freeze branded cattle stating the freeze brand is more easily seen and requested board authorization to use freeze branding on his cattle
 - this change would require new legislation and amendment of Administrative Rules if the industry feels the need for change
 - concern about cattle that the brand might not be seen on (Charlais) on and skinning to discern tampering with the hot iron (original) brand
 - the law and rules are in place to protect the industry
 - the board charged John Grainger to work with producer groups to resolve the issue and develop a plan to implement required changes if the industry wants the change
 - Board consensus at this point is the law is the law, those who use freeze brands on cattle are not applying according to the law

Veterinary Diagnostic Laboratory

- SJR 14 and Beyond
 - Dr Layton referred to the letter and the economic committee study
 - will attend the AAVLD November meeting and review the assessment findings, and plan
 - FWP is getting value on their lab, MSU wants FWP spot which sits on MSU property
 - department put \$1.3 million into the diagnostic lab in 90's
 - meeting in October with the three entities prior to the November BOL meeting
 - cannot delay until a better economic times, need to plan and work to accomplish this
 - Dr Zaluski stated from Animal Health viewpoint - totally for maintenance and enhancement of lab and accreditation

MINUTES BOARD OF LIVESTOCK MEETING

- Hope Stockwell said we need a planning process
 1. what will be in the building FWP and/or DOL
 2. what kind of building do we want
 3. planning process costs money
 4. private or federal source or legislate through bill submitting process
 5. find a legislator to submit bill draft by December 5

John Lehfeldt moved to find a legislator to submit a bill draft request. Ed Waldner seconded. The motion passed unanimously.

A smaller committee made up of John Lehfeldt, Ed Waldner, Jan French along with Dr Layton and Christian Mackay will meet to start the process to proceed with planning.

- Diagnostic Lab Fee Schedule
 - working on revisions for November meeting
 - not been changed since 2007
 - looking at ARM process completed and prices effective in February

Meat Inspection, Carol Olmstead

- Action Item 10.9.5 Draft proposal for ARM adoption on 9CFR
 - once a year FSIS requires a self assessment providing evidence that state is "equal to" the federal program
 - 9CFR 32 - regarding labeling - was adopted in the federal rules and needs to be placed in the state rules

John Lehfeldt moved to authorize the amendment as presented. Ed Waldner seconded. The motion carried unanimously.

- Budget cut effects
 - the \$70,000 cut in Meat Inspection cut deep and on a base year
 - worried about this legislature and possibly more cuts
 - each cut affects the federal funding also
 - three plants waiting to come into the program - we are not closing the doors but we are stopping expansion in some cases because of lack of funding

12:10 PM Recess

12:20 PM Reconvene

Milk and Egg

Updates

- FDA was in the state the first part of September checking our program
 - checked two grade A plants and a producer- all rated well
 - recertified Dan Turcotte as a rater and started Rosemary Hickey
- Egg Grading Plant
 - building and permitting issues have pushed it back - issues are worked through - still committed to USDA grading
 - may have to send Roy back for re-certification (almost a year since his original certification)
 - 2012 program will go into effect
- 12 day rule suit
 - since the Darigold/Country Classic meeting Darigold has withdrawn from the suit

MINUTES BOARD OF LIVESTOCK MEETING

Coremark might withdraw if judge calls for Meadow Gold disclosure leaving DOL alone

Executive Office, Christian Mackay

- Action Item 10.9.6 GIPSA Regulations

Christian Mackay presented a Pork Producers letter stating their position on the new USDA-GIPSA Regulations

Board pork representative, Ed Waldner and Bruce Sampson, president of Montana Pork producers spoke

- five processes were mandated by Congress in the Farm Bill USDA but over 10,000 pages of rules were added
- some of which will hurt Montana pork producers in producing and shipping to western packers
- bad for small producers
- packers are concerned that they will be required by this document to pay bad producers that same rate as good producers or risk lawsuits
- bill will affect Montana producers in the loss of premium which will cause producer loss on the product because of our higher shipping costs goes beyond the 5 mandates from Congress GIPSA needs to go back to the original mandates

Errol Rice, Montana Stockgrowers

- supports the approach from pork producers
- GIPSA overextends areas within the Packer and Stockyard mandates
- biggest concerns are alternative marketing innovation, niche markets, all value added programs will fall under USDA for determination if premium is appropriate
- supports letters to USDA to withdraw the rule until an economic analysis can be performed

Bruce Sampson, Montana Pork Producers, requested a board letter to congressmen to put a hold on this bill until an analysis can be done.

Ed Waldner moved that the board write a letter to our Congressmen to withdraw the GIPSA bill until an economic analysis can be performed, reference: the Peterson letter, to go through Christian Mackay to the attorney general. Stan Boone seconded. The motion carried unanimously.

Public Comment

Aeric Riley introduced himself as the new representative Montana Farmers Union.

- Next Board Meeting
November 18, 2010 Thursday 1:00pm to 3:00 pm
3:00pm to 5:00pm BOL & FWP meet
November 19, 2010 Friday 8:00am to 12:00 pm

1:00: PM

ADJOURNMENT

**MINUTES
BOARD OF LIVESTOCK MEETING**

JAN FRENCH, CHAIRMAN

Executive session followed adjournment.
Personal right to privacy exceeds the public right to know.

DRAFT